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# STUDY PROJECT

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## STRATEGIC SEALIFT: FUNDING DURING A PERIOD OF FORCE AUSTERITY AND FISCAL CONSTRAINTS

BY

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<p>The world political, economic and military order is in a state of flux. The Cold War is over. Bipolar spheres of influence are the trappings of the past. In August 1991, President Bush outlined a new defense strategy based on four major elements: deterrence, forward presence, crisis response, and reconstitution. This policy is mandated by the new world order that will require the U.S. defense force to be smaller, CONUS based, mobile, as well as versatile and balanced. In essence, the force must be trained and ready. This readiness infers mobility with a capability for power projection to defend U.S. interests anywhere in the world. Strategic mobility demands we build and deploy a force that can fight on arrival and continue long term operations. The required surge and sustainment implies a strategic sealift capable of implementing this national defense strategy. However, the U.S. strategic sealift capability is on hard times. Ships are aging in both the commercial and military fleets, merchant mariners are becoming fewer and fewer and economic factors hamstringing Congress and the Department of Defense for competing issues. (Con't)</p>					
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To meet our need for sealift new innovative business practices must be entertained to fund the fleet with at least supplemental, if not sustaining, revenues for future operations. A form of trust fund, a straight sealift fund, that supplements Congressional appropriations and aids our merchant marine industry is necessary. Revenues from leasing, sales, scrapping, and international burden sharing can be cycled to stay within a fund rather than be returned to a general fund destined to be at the whims of competing projects. The government must get on track for strategic sealift in the force capability process.

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STRATEGIC SEALIFT:  
FUNDING DURING A PERIOD OF  
FORCE AUSTERITY AND FISCAL CONSTRAINTS

AN INDIVIDUAL STUDY PROJECT

by

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30 March 1992

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# ABSTRACT

AUTHOR: J. Douglas Foye, LTC, USA

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The world political, economic and military order is in a state of flux. The Cold War is over. Bipolar spheres of influence are the trappings of the past. In August 1991, President Bush outlined a new defense strategy based on four major elements: deterrence, forward presence, crisis response, and reconstitution. This policy is mandated by the new world order that will require the U.S. defense force to be smaller, CONUS based, mobile, as well as versatile and balanced. In essence, the force must be trained and ready. This readiness infers mobility with a capability for power projection to defend U.S. interests anywhere in the world. Strategic mobility demands we build and deploy a force that can fight on arrival and continue long term operations. The required surge and sustainment implies a strategic sealift capable of implementing this national defense strategy. However, the U.S. strategic sealift capability is on hard times. Ships are aging in both the commercial and military fleets, merchant mariners are becoming fewer and fewer and economic factors hamstring Congress and the Department of Defense for competing issues. To meet our need for sealift new innovative business practices must be entertained to fund the fleet with at least supplemental, if not sustaining, revenues for future operations. A form of trust fund, a straight sealift fund, that supplements Congressional appropriations and aids our merchant marine industry is necessary. Revenues from leasing, sales, scrapping, and international burden sharing can be cycled to stay within a fund rather than be returned to a general fund destined to be at the whims of competing projects. The government must get on track for strategic sealift in the force capability process.

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STRATEGIC SEALIFT:  
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INTRODUCTION

"In an era when threats may emerge with little or no warning, our ability to defend our interests will depend on our speed and our agility. And we will need forces that give us global reach... We'll have to have air and sealift capacities to get our forces where they are needed."

President George Bush  
The Aspen Institute  
2 August 1990

As the United States reduces its forward deployed forces in consonance with the National Security Strategy the emerging force structure must be able to defend our national interests and meet our global responsibilities<sup>1</sup>. This means our country's defense force must be appropriate to the challenges of a world with "peace breaking out everywhere." The Cold War is definitely over and the bipolar spheres of influence are now the trappings of the past. The world political, economic and military order is in a state of flux. This paper will explore the evolving defense strategy in this turbulent world, its implications for the subsequent base force structure's mobility and finally promote new and bold financial thinking as a means to possibly ameliorate this period of force austerity and fiscal constraints.

## EMERGING STRATEGY

The United States Army War College fosters academic excellence through the quest for developing strategic vision. This vision for the senior military student translates into an understanding of a national military strategy that must now focus on the key elements of both nuclear and conventional deterrence, a forward presence that can not be necessarily guaranteed, crisis response that essentially means strategic mobility, and an ability to reconstitute if necessary. In short, the student enters a military structure of global scope and exceptional competence. Never before has our nation's military been asked to do so much. This is the challenge we give ourselves for the 1990s.

For the past four decades the United States' strategy focused on global security. This was a period when the country's economic and political wherewithal was assured. Other than brief moments of partisan relapse the defense budgets met our requirements. They were high enough to get more bang for the buck. Our antagonist, the Union of Soviet Socialist Republics (USSR) was a definite superpower whose presence and capabilities were ascertained to threaten the very survival of the United States.

Now as we enter the 1990s a new strategy must evolve. The new world order serves as the catalyst for a new military strategy. The American people now concentrate, and rightfully so, on the domestic issues of economic and national security. Couple this with the

dominating economic power of Japan, Europe and the blossoming Pacific Rim with their ability to influence world events indicates a growing concern for America-first. The Commonwealth of Independent States (CIS) is replete with instability. Add a touch of possible nuclear weapons proliferation, terrorism, and rampant international drug trafficking and the stage is set for a new strategy to ensure our national security.

All of this is driven by the perceived dramatic change to the threat against the United States. The old threat was the USSR. Now the threat(s) are so diverse they could go unidentified. Previously the nation looked to the threat as being against the country's survival now it is directed against our national interests. In fact, the threat is really unknown. The USSR could be deterred by our nuclear forces, now international dictators and thugs bully their way against our interests. The US focused on Europe and believed if the threat came it would possibly escalate into World War III. Now regional contingencies are ill defined with little expectation of escalation. The country is living in a period of almost boundless transition. Where does this transition touch our national military strategy?

Our defense strategy will be CONUS driven. In other words our forces will, in a large part, be returned to the United States. Yet some forward presence will remain as a signal of our national resolve and as long as our allies need and seek our assistance. This transition to a smaller but definitely more capable military force dictates that we must be trained, ready, versatile, lethal



and rapidly deployable. Anything less would be extremely dangerous.

The future defense forces can meet the challenge provided the leadership possesses the concept of flexibility in all aspects of the acquisition, planning, programming, training and equipping the force process. All of this has immense implications for the future modernization and the subsequent force design.

An example of this reduction is the active Army of 1995. This new transitional force will have a forward deployed presence of a Corps of two divisions in Europe; two divisions in the Pacific; one Contingency Corps (CONUS) of five full divisions; and an early reinforcing Corps (CONUS) of three divisions<sup>2</sup>. The result is today's five Corps - 28 divisions will be 1995's four Corps with 12 active divisions predominately stationed in CONUS. This means the Army must be a strategic (emphasis added) force trained and ready to fight and achieve decisive victory wherever and whenever America calls<sup>3</sup>.

"The Army will continue to maintain forward deployed forces to meet national security commitments and maintain the credibility of our deterrent strategy. However, the easing of global tensions, coupled with reduced military threats may require fewer forward deployed forces. This will place greater reliance on ready, flexible, and rapidly deployable contingency and reinforcing forces<sup>4</sup>."

The above concept outlined in The Army Plan gives credence to the direction that U.S. strategy will take. Those include contending with the continuing uncertainty of the dissolving USSR, adopting a regional orientation, and emphasizing flexibility<sup>5</sup>.

## FORCE IMPLICATIONS

The implication for our defense force during its build down, transitional, years is quite evident. The United States military as it transforms into a CONUS based force, must have the ability for global power projection to promote deterrence, to reinforce our allies, to preserve regional stability and to protect our national interests. Stated differently, deterrence is only credible if we can project our power with the innate ability to deploy and sustain our force.

"United States conventional forces must be able to respond rapidly to short notice regional crises and contingencies that threaten U.S. interests. That requirement will guide the stationing, size, and capabilities of U.S. conventional forces."

"U.S. forces will be restructured so that they best support the new strategy. For crisis response, we must be able to deploy to regions of U.S. interest sufficient forces with the capabilities needed to counter a wide variety of contingencies. Thus the restructured force will include a high airlift and sealift capacity, substantial and highly effective maritime forces."

Although global war is highly improbable, the United States is going down the road of significant departure from the strategy of the past 40 years. Mobility is now the key for the future. Without adequate strategic mobility the country would be as shackled as a paper tiger. Therefore the requirements of mobility must be clearly defined in the context of U.S. national interests and the strategy that guarantees our resolve.

## MOBILITY REQUIREMENTS

As the National Security Strategy states:

"In this new era, therefore, the ability to project our power will underpin our strategy more than ever. We must be able to deploy substantial forces and sustain them in parts of the world where pre-positioning of equipment will not always be feasible, where adequate bases may not be available (at least before a crisis), and where there is a less developed industrial base and infrastructure to support our forces once they have arrived. Our strategy demands we be able to move men and materiel to the scene of a crisis at a pace and in numbers sufficient to field an overwhelming force...As our overall force levels draw down and our forward-deployed forces shrink, we must sustain and expand our investment in airlift, sealift, and pre-positioning afloat or, where possible, ashore. We also must ensure unimpeded transit of the air and sea lanes through maritime and aerospace superiority."

To have a trained, ready and capable force is only half the picture without a viable transportation capability. The United States' ability to achieve global power projection implies mobility and sustainment as reinforced by the National Security Strategy. Operation Desert Shield (ODS) aptly demonstrated the need for critical sea assets to move the force. The nation accomplished wonderful feats but also revealed critical shortfalls in strategic sea transportation capability. The deployment took six months to deploy a force of 500,000 over non hostile sea lines of communication to one of the most modern and efficient port facilities in the world while relying on international shipping to compensate for our sealift shortfalls.<sup>8</sup> While there is nothing

innately wrong with using foreign shipping for collective security, our organic sealift capability shortfall could pose serious risks in the future if we are required to act unilaterally.

The normal axiom states that the requirements drive the capability. However, the transportation capability today can well drive our mobility requirements. If the United States does in fact have a strategic sealift shortfall and the country must act unilaterally the capability will, regardless of the requirement, drive the our ability to implement the national strategy. The overall national military strategy of deterrence, forward presence, reconstitution, and crisis response triggers power projection as the key element for our strategic mobility requirements. Therefore power projection mandates rapid deployment and sustainment to the force for credibility. The nation must have the strategic lift.

"The transportation capability is crucial. The U.S. must be able to project and sustain the forward military power necessary to accomplish global missions. We require sufficient capability to move substantial quantities of men, materiel, and equipment through the air and over the sea. Our strategy still requires highly capable, modern and flexible air and sea lift assets."

To help Commanders in Chief (CINCs) resolve their mobility dilemma the Planning, Programming, Budgeting System (PPBS) has several objectives. The PPBS articulates the grand strategy while establishing the size, structure and equipment for the force. Upon completion of the force structure, PPBS allocates resources that will compliment force readiness and sustainment. The given fact is

that there is not enough resourcing of sealift to meet the requirements of surge (unit/equipment deployment), sustainment and cost reductions. The challenge is how can the nation get on track for strategic sealift in the force capability process? This thesis becomes very critical considering the fact that the United States' sealift industry is a commercial venture possessing the mission of public defense. These two divergent worlds are at odds in today's economic reality of commercial competition and militarily ill defined requirements. Prior to postulating a methodology for sealift enhancement, the organization of our strategic sealift force must be identified and explained as well as the resulting shortfalls that our strategic sealift force has in light of the Persian Gulf War. The rationale for using the Persian Gulf War will become readily apparent as the case for sealift is presented.

### STRATEGIC SEALIFT FORCE

America's strategic sealift was a once proud and dynamic force whose time has been passed by the realities of today's maritime industry. The components of the force set a base line upon which the Future Years Defense Program (FYDP) 1992-1997 can be set. The sealift force is composed of the Ready Reserve Force (RRF), Military Sealift Command (MSC) controlled ships such as the eight Fast Sealift Ships (FSS), the declining US flag fleet, and what is known as Effective US Controlled (EUSC) shipping. The following is a summary of each component:<sup>10</sup>

- a) RRF: The Ready Reserve Force is composed of government-owned, inactive commercial, deep draft ships with military utility. The ships are maintained by the US Maritime Administration (MARAD) in 5-, 10-, or 20-day states of readiness to support the surge/deployment of military forces. Activation of these ships is controlled by the Navy but administered normally by MARAD.
- b) MSC-controlled fleet: This fleet consists of government chartered dry cargo and tanker ships that provide point to point cargo service in areas not normally served by American private, commercial companies. It includes two aviation logistic support ships designed to provide the necessary equipment and support for maintenance of a Marine Aircraft Group. MSC also has control over the following categories of ships:
- 1) FSS: These eight former Sealand SL7s were purchased in the early 1980s and converted to roll-on/roll-off (RO/RO) configurations for the rapid movement of heavy, outsize unit equipment from CONUS. These ships are maintained in a 4-day reduced operating status (ROS).
  - 2) Maritime Pre-positioning Ships (MPS): This excellent program consists of 13 modified commercial ships under long-term charter, operating in three squadrons (located at Diego Garcia, the western Atlantic, and Guam-Tinian). Each squadron carries unit equipment (UE) and sustainment for a Marine Expeditionary Brigade (MEB).

3)Afloat Pre-positioning Ships(APS): This force consists of eight dry cargo ships carrying Army, Air Force, and some Navy equipment and sustainment for contingencies as ODS as well as several tankers for petroleum.

c) US flag Merchant Marine Fleet: These cargo ships are US commercially owned and operated under US registry. They could be made available to support military operations via voluntary charter or through requisitioning after a Presidential declaration of national emergency. A number of these ships would not be available if requisitioning occurred because of economic and maintenance withholds. This is perhaps the key issue for American commercial shipping. The declining US maritime industry needs to maintain its tenuous share on an extremely cut throat market. To place ships in US Government service would in essence reduce the American market share never to be regained. This directly points to the absolute need for a viable RRF.

d) Effective US-controlled shipping: This fleet includes US-owned, but foreign registered, ships under the flags of Panama, Honduras, Liberia, etc. These ships are available after a Presidential declaration of emergency; however, their availability is contingent, on a country by country basis, upon the nature of the crisis and the issues involved. This is potentially dangerous during surge requirements when sealift must be readily available.

Operation Desert Shield put US strategic mobility in the world spotlight. Even though six months were used to move the forces, the evidence proved that strategic lift was the most pressing need. Sealift, after all was said and done, moved roughly 95% of the cargo for ODS. This is a tribute to the US Transportation Command (TRANSCOM); two of its components, the Military Traffic Management Command (MTMC) and MSC; and, of course, the American and allied commercial maritime industry. However this is an illusion. The Congress, the Department of Defense (DOD) and the commercial industry need to look behind the scenes at the dying US maritime force. Only the ready availability of foreign-flag shipping kept the fragile maritime condition from seriously limiting the deployment of US forces.<sup>11</sup>

The RRF today consists of 94 ships broken down as 65-ROS-5, 26-ROS-10, and three-ROS-20.<sup>12</sup> At the onset of ODS, 96 vessels were in the fleet. Of these 78 were activated for ODS of which only 25% met their prescribed readiness period.<sup>13</sup> Only 29% of the breakbulk ships were called while 100% of the RO/ROs and heavy lift ships were called. Is this because RO/ROs are more useful or the best maintained? Remember cost is the driving factor in ship use. The RO/ROs are activated more often because they give the best pay back to a commander on their use. Actually the RRF is replete with breakbulk vessels because they were the cheapest to acquire from private sources as they were no longer commercially viable. It was the cheap way out. The reasons as to why the RRF fared so poorly



are numerous from lack of Congressional funding to managerial and maintenance apathy. Regardless, the RRF did not meet its objective requiring MSC to immediately go to foreign charter to compensate for the surge deficiency.

The US flag fleet currently numbers 134 militarily useful dry cargo ships but is projected to decline to 71 ships by 1999. MARAD further estimates that this decline will accelerate after the turn of the century.<sup>14</sup> Operation Desert Shield highlighted this decline in that 47 of the 73 commercial ships used in the first three months of the deployment were foreign flag. This is indicative of a degree of risk the country can ill afford. The key here is ship availability. The preponderance of these vessels are committed to commercial ventures that must be parochially guarded for market share protection. Therefore requisitioning would be a drastic step by the government. The MSC would be wise to continue its efforts of volunteer American charters and foreign, less costly, charters to make up for any perceived shortfalls. This is the main reason why the Sealift Readiness Program was not used in ODS. The result would have been catastrophic to American commercial shipping in not only lost revenues but the fragile economic reality of a dwindling market share.

Manning of the ships is a problem adjunct to the dying maritime industry in the US. The number of American merchant seamen manning all commercial and military sealift ships has decreased by 60% since 1970 to a level of 28,000 today. Moreover, the projection is for less than 14,000 by the end of the decade.<sup>15</sup> Another way of

looking at this is that US flagged and manned vessels carry only 4% of our nation's sea trade. This trend is indicative of an industry on its death bed unless something can be done to invigorate the system.

Overall, ODS got the sealift it needed even if not in the configuration desired. Military Sealift Command data as of 10 March 1991 validated the following sealift:

US Flag Charter:	14.3%
Foreign Flag:	19.4%
RRF:	20.2%
FSS:	9.3%
PREPO:	3.4%
MPS:	4.6%
Container:	<u>28.8%</u>
Total:	100%

The conclusions reached with regards to sealift in ODS can be best summarized as positive but in need of thorough managerial revision on several aspects. The status of the RRF must be improved to enhance its readiness. More RO/ROs must be added to the RRF to displace the majority of low utility breakbulk ships. The US flag merchant marine industry must be revitalized immediately in both ship construction, crewing, and flagging. Finally, sealift must be the sine qua non for the country's mobility posture in the national strategy. This means defining requirements, managing a diminishing share of the federal budget, and seeking a sealift resolution that

will be innovative, direct and complimentary to the Merchant Marine industry.

## SEALIFT RESOLUTION

In seeking a resolution to the current sealift predicament all requirements and potential plans must be in accord with the National Defense Authorization Act. As outlined above, the threat is changing almost daily to the point of being unidentifiable. Our allies assist when their interest(s) are threatened also but cooperation can not be assured. The sealift industry is gasping for survival in a harsh and extremely competitive market that offers less each day for DOD follow on surge requirements. Commercial and military sealift asset needs are becoming more and more divergent leading to a separation in lift definition.

There is no joint acquisition strategy for sealift. The problem is that DOD must acquire and/or build strategic sealift to obtain the best mix of strategic sealift assets in pursuit of a strategic mobility capability that meets global requirements.

The National Military Strategy, derived from our national interests, requires that the United States deploy a decisive force either as a member of a coalition or unilaterally and sustain it in parts of the world where adequate pre-positioned equipment or bases may not be available and where the capability to support the force, once it has arrived, is limited. Although the exact flash point of tomorrow is unpredictable, there are threats to US interests in the

world that will require fast, effective fighting forces capable of fulfilling diverse missions. The uncertain and dangerous future world will require more capability than the US possesses today to project a powerful force quickly to overseas crisis areas.<sup>16</sup>

Therefore the global requirements can only be hypothesized. The DOD will only "best probability" the plethora of likely scenarios. This is what makes the earlier statement that the capability now drives the requirements so very prophetic. DOD can not emphatically define the requirements since they are, at best, vague and constantly changing resulting in a lack of consensus on the necessary capability.

Yet Congress in its effort to reap a "peace dividend" directed DOD to conduct a national Mobility Requirements Study (MRS) based on the Operation Desert Shield deployment. The MRS was to consider a large number of possible future scenarios and excursions upon which to size the sealift requirement and provide the information necessary to determine the size, mix, number, and employment of sealift ships.<sup>17</sup>

The question now is how does the US get and maintain the sealift capability required in the Defense Strategy? The Program Objective Memorandum (POM) identified \$1.2 billion for sealift initiatives in Fiscal Years 90 and 91 which have not been released for use in sealift acquisition.<sup>18</sup> Even Secretary of Defense Cheney is extremely reluctant to release sealift acquisition funds and suggests moving these fenced funds to other accounts.<sup>19</sup> This of course is endorsed by the Department of Transportation as it must

work hand in glove with DOD.<sup>20</sup> Take also the CINCs' Integrated Priority Lists fed through a Joint Chiefs of Staff (JCS) approved requirement to deploy and sustain the force, and strategic sealift must be a validated need to the President's FY 93 budget in order to enter the acquisition cycle. Without this, sealift can not support, in total, our near or long term deployable requirements. Since money is in short supply and what is available is attacked by competing concerns, innovative fund management comes to the fore.

#### NATIONAL DEFENSE SEALIFT TRUST FUND

Basically the strategic sealift program is in abeyance pending the final outcome of the three volume MRS. The MRS will define requirements postulated against various scenarios with corresponding degrees of risk associated with the strategic lift capability. The intent is to initiate a plan to get the DOD, primarily the Navy, going on acquiring sealift.

In 1984 the Secretary of the Navy established sealift as the third primary mission of the Navy, along with sea control and power projection.<sup>21</sup> The Navy has been reluctant to get on the band wagon in this critical area. Given that situation and that appropriations will eventually come, magnitude and frequency unknown, I'd like to offer consideration of a National Defense Sealift Trust Fund (NDSTF) to ameliorate the high costs associated with maritime assets. Though not an original concept it nevertheless seeks to reduce the Navy's strangle hold on sealift funding.

A trust fund or any searift fenced money is a fund of money and/or property administered by an organization for the benefit of another organization, in this case the US. The trustee (Navy?. MARAD? or another agency?) would be the manager of the fund and the beneficiary is again the US for whose use the fund would be created. The fund can provide income, increase the value of the assets, or protect the property. In essence the trustee invests the principal from the fund's income and distributes or reinvests as deemed necessary in compliance with the Defense Strategy. To start the fund there must be an infusion of capital = appropriations.

The near term fix for acquiring searift is to buy, build or a combination of both to augment the already in place FSS fleet, the RRF, the National Defense Reserve Fleet (NDRF), and the proposed build of the Strategic Searift Ship (SSS). The quickest is of course to buy militarily useful commercial ships from either American or foreign steamship companies or nations that are willing or desperate to receive hard currency. If the RRF is to go to 142 ships by 1999 (104 ships-dry cargo) <sup>22</sup> buying is the cost effective option. Used vessels cost about \$40 million per hull versus \$200 million to build with a three to four year delivery period.<sup>23</sup>

Congress is now trying to resolve whether to impose a ban on buying foreign ships, usually built with government subsidies, or allow ships to be acquired at home or overseas. If the ban is imposed, US shipyards stand to win orders of nearly \$2B, a real boost to the declining maritime industry. If some of the RRF enhancement is to be built (8-12) there are some shipyards

interested e.g. Avondale, NASSCO, Bethlehem, and Tampa. From the shipbuilding industry viewpoint more less expensive ships are preferred over fewer more expensive ones. This would also appeal to Congress, to make money available, to fulfill the now defunct Commission on Merchant Marine and Defense (COMMAD) which saw maintenance of the shipbuilding mobilization base as justifying the building of such ships.<sup>24</sup> Also of note, the Shipbuilders Council of America is lobbying Washington that defense appropriations should not be used to buy ships built with foreign subsidies when Washington is working for international abandonment of subsidies.<sup>25</sup>

The MRS will define the prepo, surge and sustainment requirements necessary for our global force projection. Responsiveness, flexibility and guaranteed availability will be the critical factors impacting strategic sealift capability. The NDSTF could be a methodology for the buy/build necessary to meet that capability. The NDSTF would combine all government supported sealift funding into one fund that would capture revenues from leasing, international burden sharing (coalition or bilateral partners), charter, RRF/NDRF sales and scrapping and the ever necessary Congressional appropriations.

Basically the NDSTF would receive income/revenue and pay bills. That way the fund can order new ships, sell old ones, scrap obsolete assets, buy used ships, lease/charter assets or take contributions(direct or indirect). The intent here is for the fund to supplement the ever diminishing direct Congressional appropriations. Ideally, the fund would become a self financing

proposal to achieve and maintain military strategic sealift capability. Revenues would again come from ship leasing/charter after construction, international burden sharing, sale and scrapping of assets, and Congressional appropriations.

## LEASING

Leasing provides a steady income as well as shifting operation and maintenance (O&M) costs to the commercial operator. The diverted O&M costs can then be applied to additional buy or build programs. The key is that the monies remain in the fund. Add to the lease agreement the requirement that the ships be US manned, the result is a partial enhancement of the US Merchant Marine. To also reduce risk, lease negotiations could be done during construction to ensure income on ship delivery. Leasing is also possible on buy ships especially those of foreign registry where O&M costs could also be defrayed. This implies that leasing must be world wide to maintain our competitiveness in the world trade markets. Leases by their nature only provide significant payback through long term arrangements - at best to the service life of the vessel, approximately 20 to 25 years. This allows the manager of the fund to know program costs and plan on long term maintenance by the lessee. The bottom line is the US flag is enhanced and US merchant mariners are employed.

This leasing provides the greatest payback to the fund. However, market realities may preclude complete leasing



capabilities. This concept could be in for rough times if military requirements in ships are not compatible with commercial needs. Commercial viability may have passed the DOD by since RO-ROs are more appealing to the military and containerization is the preferred methodology for the civil sector.<sup>26</sup> A ship design compromise maybe mandated.

#### INTERNATIONAL BURDEN SHARING

International cooperative programs are becoming more critical to the US as it participates in global, collective security arrangements. The DOD Directive 2000.9, DOD Participation in International Technical Exchange, Cooperative and Coproduction Programs allows logistical cooperative programs that are mutually beneficial and would make sense politically, economically, and militarily. The sealift program would be tailored to each country's strengths and needs, enhance the collective security parameters, promote regional stability and help reduce the direct appropriations needed for surge sealift. The result is true international burden sharing.

International burden sharing, as an international cooperative program, needs to be a viable part of our NDSTF prepo policy. As Operation Desert Shield so aptly verified, military prepositioning proved its mettle by delivering both USMC maritime prepositioning and Afloat positioning for the Army, Air Force, and Navy. These ships on long-term MSC charters reduced surge lift requirements while also getting the equipment ashore the earliest. As a result,

US TRANSCOM endorses greater use and expansion of afloat prepositioning especially for the Army.

Also, CDS demonstrated that when the US security umbrella extended into several allied nations' security zones it is not unreasonable to ask for burden sharing. The NDSTF would take that assistance money, funnel it into the fund to defray the costs for maintaining the stocks or for that matter establishing the prepositioned stocks entirely. Realizing the political ramifications, regional instability and emerging nations vulnerabilities, the feasibility is still enticing. To ignore it is foolish for even the slightest contribution is an improvement over unilateral US efforts.

Second and third order effects like fuel, provisioning, ships chandlery, and maintenance may impact any and all subsequent appropriations. Any reduction in this area could be viewed by Congress as a step forward. Couple that with the "freed" money the allied effort produces and additional buys could be made if Congress keeps a hands off position. The main drawback to this burden sharing would most likely be Congress' reduction of appropriations to offset alliance contributions. Burden sharing must be viewed as revenue producing for the fund only; not as a means of reducing direct appropriations.

## RRF/NDRF SCRAPPING

One hundred sixteen ships of the Ready Reserve Force of the NDRF are no longer needed.<sup>27</sup> Desert Shield experience concluded these ships were not used because:

- a) there would not be enough time to activate and use them
- b) they are small, need large crews, are slow and inefficient
- c) cheaper commercial charters were readily available

Scrap sales, at current market levels, would bring roughly \$59M at \$85 per ton.<sup>28</sup> As the RRF ships exceed their life cycle, revenues to the fund can be realized through sales (national or foreign) or scrapping. That way money brought into the fund stays with the fund and is not diverted for other bill paying purposes such as the Ship Construction Navy (SCN) fund. Money diverted to general funds e.g. SCN frequently are used as bill payers for parochial service needs or worst case even diverted from one service to another to be used to cover other projects, operations, or procurements.

## CONGRESSIONAL APPROPRIATIONS

Depending on the MRS results on sealift vessel size, composition, and mix, appropriations needn't be any more than under the present method of receiving sealift funds. Going back to an earlier statement that there is a joint acquisition strategy for airlift but not for sealift points out the imbalance in strategic mobility funding. As absurd as it seems, the DOD spends only 5% of

its strategic lift budget on sealift. The other 95% goes for airlift, which by its nature only carries 5% of the cargo during surge contingencies. Taking this skewed approach further, a B-2 stealth bomber costs \$850 million. The DOD could buy 20 foreign ships or support the shipbuilding industry by building four ships in America's shipyards. To the layman there appears to be a sense of lost priorities in DOD.

If Congress says there is no threat, i.e. no funds, the NDSTF just reduces the lift capability. If funding is constant, the fund merely gains revenue by the means stated earlier and adds additional lift as necessary. All of this is over and above what DOD has today. Appropriations will more than likely always be needed but the transportation capability will not be as dependent as it is today on the dole from Washington.

#### FUND BENEFITS

During these austere times every dollar counts. Senate Armed Services Committee Chairman Sam Nunn, D-Ga., states that "the defense budget this year is in real danger of a free fall." Senator Edward Kennedy, D-Mass., states that "We need to go deeper, and we can afford to do so. Either the Cold War is over or it is not...We face other urgent needs."<sup>29</sup> The battle is drawn for competing programs against DOD as the nation tries to tap the peace dividend.

A trust fund is a business, a concept growing more important everyday to DOD. As revenues enter the NDSTF they stay in the fund.

They are precluded from returning to the US Treasury for supplemental purposes. This allows the fund to procure more assets for the same level of Congressional funding. Another plus is a strategic sealift fund can remain separate from the Navy's SCN which in the past has been used as a bill payer for emerging requirements..

The NDSTF places all sealift assets under one fund. Appropriations from Congress, revenues from DOD customers, leasing/charter, sales, scrapping, and international burden sharing sustain the fund. The NDSTF also revitalizes US shipyards, promotes the merchant marine program insofar as ships are leased, and maintains our global force projection capability. The NDSTF gives credence to strategic mobility. This is an immense responsibility for management of the fund and perhaps the stickiest issue with regards to the NDSTF.

#### NDSTF MANAGEMENT

Fund management is perhaps the most contentious issue with regards to the NDSTF. The question of Navy or MARAD trusteeship can actually be argued in the affirmative for both agencies. What must be avoided is either service parochialism or the idea of keeping MARAD out of military issues.

In the early 1980s the Navy began to treat strategic sealift as its responsibility. The SL-7/FSS program as well as the entire

\$7 billion sealift program of that decade began to take shape. In 1984, the Navy received sealift as its third mission along with sea control and power projection its pride and preference. Still until ODS, the DOD put off directly tackling the issue by treating sealift as the Navy's step child while demanding that the services come on line with actual requirements. An example of this was the \$1.2 billion appropriated for sealift from FYs 90/91 which DOD found difficult to obligate. This was also the time of the 600 ship Navy, extensive research & development, and force modernization. Spending money on sealift when no one could define the requirements did not seem to be the prudent thing to do.

The Navy also keeps all ship construction funds in the SCN. By placing all appropriations in this fund, it can be used at the discretion of the Navy for everything from cruisers, to Panama and Operation Just Cause, to sealift.<sup>30</sup> Thus the NDSTF loses its appeal for the Navy as sealift funds would be fenced, precluding use by the SCN.

The Maritime Administration, on the other hand, is charged with maintaining the NDRF/RRF. The agency, under the Department of Transportation, must compete for Congressional funding along with DOD and all other federal programs. So with the emphasis of the 1980s on M-1 tanks, B-1/2 bombers, F-17 stealth fighters, the strategic defense initiative, smart munitions, etc., it is no wonder the money was not forth coming. And what money was requested was reduced. For example, in 1990 MARAD requested \$239M but received only \$89M for RRF O&M.<sup>31</sup>

As pointed out earlier the RRF is the immediate key to strategic sealift. Its use in a contingency can negate requisitioning of the US flag fleet or using foreign charter, and thus allow the US to act unilaterally if necessary. During ODS the RRF could not meet its readiness goals and foreign charter had to fill the void of follow on surge and protect US flag ships from loss of the diminishing market share. Placing this blame on MARAD wouldn't accomplish anything other than to give a cathartic effect for its critics.

The fiscal constraints placed on MARAD by the lack of priority for sealift is to blame. The RRF did basically meet the challenge but the force is no substitute for a large, healthy US maritime industry. RRF activation was hampered by unfunded maintenance. Desert Shield's rapid pace stressed the supply of US mariners and the nation's maritime industrial capability. MARAD can not be held responsible for this pallid national problem.

Today the RRF consists of 94 commercially designed deep draft ships of various configurations and capabilities whose acquisition, maintenance, manning, activation, deactivation, disposition and budgeting are managed by MARAD. The RRF's size and composition are determined by the Navy which also exercises operational control, under TRANSCOM, of activated RRF ships.<sup>12</sup>

The MARAD's RRF management is tied closely to the acquisition decisions of the Navy's OP-42 and MSC guidance regarding the types and number of ships needed to support military sealift requirements. MARAD acquires, disposes, upgrades etc., under the

auspices of the Merchant Marine Act of 1936. These two potentially conflicting guidelines were resolved by the Memorandum of Agreement (MOA) between DOD(MSC) and DOT(MARAD). 30 October 1988 that now serves as the guiding force for the RRF and the preponderance of responsibility to MARAD.

The mechanism is in place for the NDSTF. Based on ODS, the new National Defense Strategy, and the fiscal realities of a diminishing defense budget, sealift will finally get the recognition that it has needed since 1980. Sealift will be fixed. The thrust appears to be that MARAD is set up now to run the fund based on the MOA. The Navy's defined portion of the MOA suggests placing the NDSTF in MARAD's hands. This would neither detract from the Navy's sealift mission or lessen the Navy's role in RRF management. But is it the way to go?

#### TRANSCOM CONTPOL

The role of the CINCs is today's buzz word in how the US will respond to regional contingencies. Coalition and alliance responses to world hot spots will have the Unified Commands executing the National Defense Strategy. For that reason alone I recommend that the newest Unified Command, US TRANSCOM, be put in charge of the NDSTF.

This is a new idea that would run contrary to years of service responsibility. Lidell Hart must have realized this controversy when he stated that "the only thing harder than getting



a new idea into the military mind is to get an old one out." But it's a new world, with a new strategy, with new forces, that demands a new way of thinking.

The mission of TRANSCOM is to provide global air, land, and sea transportation to meet national security objectives. TRANSCOM is a corporation that brings Army, Navy, Air Force, and Marine Corps together under one Commander in Chief to establish a global transportation system. This arrangement gives the US the ability to move men and equipment across the US or around the globe in a time of crisis. This mobility gives credence to our strategy. We have global reach via TRANSCOM.

Also, as the unified transportation chief, the command can easily oversee and even set our strategic sealift requirements as well as monitor and resolve capability problems. As a unified CINC, US TRANSCOM is automatically in the PPBS system where it can formulate the necessary program requirements in consonance with the other CINCs.

#### CONCLUSION

Our National Military Strategy will continue to undergo a metamorphosis during the 1990s. The base force will become smaller ( 1.6 million troops, 12 active Army divisions, 12 aircraft carrier battle groups, and 26 Air Force tactical fighter wings).<sup>33</sup> perhaps even more so than we would prudently imagine. The military community must remain in touch with the reality of competing programs, force austerity, and declining monetary availability.

However, we shall remain a superpower economically, politically, and militarily with all that status portends for the United States. That status conveys collective security arrangements when feasible but a need for global power projection that when our national interests are threatened and the military option is decided we have the resolve and capability to act, unilaterally if necessary.

The strategic mobility capability to act is resource driven. Strategic mobility, for any crisis response, is the basis for our National Military Strategy and therefore improving our strategic sealift capability must be the catalyst for any sealift initiatives. Since available dollars must compete now with the trend towards domestic concerns, DOD thinking must also undergo a transitional phase. This demands innovative approaches, dynamic business practices and a degree of risk. The National Defense Sealift Trust Fund is what is needed to focus on resources and reinvest revenues in a sustaining business venture designed to meet our strategic sealift needs.

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